



MEMO

To: Board of Directors
From: Company Secretary
Subject: **FINANCIAL YEAR-END**

For the Board's information I detail below what I understand the regulations to be in relation to a company's financial year-end.

Under the Corporations Act (sec 323D) a company's financial year-end [for preparing accounts/audit if required] can effectively be any date the directors adopt, provided the first one occurs within the first 18 months after the company was formed. Subsequent financial year-ends are each 12 months thereafter, and generally cannot be altered without ASIC consent. The first financial year starts on the date the company was formed (incorporated) – even though the initial period may be longer than a year (i.e., up to 18 months).

So, as the company was formed on 24 August 2007, the first financial year-end can be 30 June 2008 or any other date up to 24 February 2009.

Note that directors may vary the second and subsequent financial year-ends by up to 7 days shorter or longer if it, for example, suits the company's trading pattern or avoids a week-end – sec 323D(2).

Also, if the company is part of a consolidated group and must prepare consolidated accounts, it must do whatever is necessary to ensure that all group companies are synchronised with the same financial year-end (within 12 months of this situation arising) – sec 323D(3).

As a public company it also has obligations under the Corporations Act to prepare annual accounts (sec 292) and have them audited (sec 301), sent to shareholders (sec 315) and lodged with ASIC (sec 319) within 4 months of its financial year-end and to hold an Annual General Meeting within 5 months of financial year-end (sec 250N). Proprietary companies, of course, do not generally have to prepare/lodge accounts.

Most companies choose 30 June as the financial year-end because that is also the tax year-end and it makes the whole accounting exercise much simpler. Also, under the Tax Act, the company may still need to lodge a 2008 tax return, as I see it, which would be easiest if the first financial year-end is June 2008. There is also scope to change the tax year, by application to the Australian Tax Office, if there is an acceptable reason for that (i.e., within the ATO guidelines).



Where applicable (in relation to the Corporations Act) a company's half- year end is the first 6 months of the [chosen] financial year – sec 323D(5) – varied by 7 days either side in need.

DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.